

VZCZCXRO6113
RR RUEHBC RUEHDE RUEHIHL RUEHKUK
DE RUEHGB #2192/01 1960807
ZNY CCCCC ZZH
R 140807Z JUL 08
FM AMEMBASSY BAGHDAD
TO RUEKJCS/SECDEF WASHINGTON DC
RUEHC/SECSTATE WASHDC 8308
RHEBAAA/USDOE WASHDC
INFO RUCNRAQ/IRAQ COLLECTIVE
RHEHAAA/WHITE HOUSE WASHINGTON DC//NSC//

C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 002192

SIPDIS

STATE FOR NEA/I-PM SSCHLEICHER; ISN/RA JDANIEL
S/I:KNUTT; L/NPV:THISCH
DOE FOR JSELLEN
JS FOR SNORWOOD
OSD FOR TBENNET

E.O. 12958: DECL: 07/14/2018
TAGS: [ENRG](#) [KNNP](#) [PARM](#) [PREL](#) [IZ](#)
SUBJECT: MOST OK'S TUWAITHA PAYMENT DEAL

REF: BAGHDAD 1971 AND PREVIOUS

Classified By: CETI Ambassador Charles Ries, reasons 1.4 b,d,e

¶1. (C) SUMMARY: Iraq's Minister of Science and Technology (MOST) Fahmi agreed in principle to make a contribution of USD 7 million to defray part of Defense Department transport costs of the uranium from Tuwaitha to Canada, with the funds to be used in the I-CERP account; DOD needs to send shipment delivery paperwork to trigger initial payment under the letter of credit (L/C). MOST will arrange transfer of the USD 7 million cost share out of the first tranche of yellowcake proceeds, even though that tranche is only for twenty percent of the total price. MOST awaits USG response on Fahmi's request to begin discussions aimed at a peaceful nuclear cooperation agreement; is ready to move on the IRRF electron beam agricultural project; requests assistance over office space in Kadimiyah; expressed concern about decommissioning a potentially contaminated site in Al-Addayah near Mosul; and discussed budget issues. END SUMMARY.

Tuwaitha

¶2. (C) MOST Fahmi met with CETI on July 13 to accept the letters he had requested outlining bilateral understandings about the costs that would be contributed from the GOI to DOD for transporting the yellowcake uranium from Tuwaitha to Canadian buyer Cameco. CETI explained that DOD would prefer that the GOI make the contribution to the I-CERP account (the USD 270 million from the DFI that DOD may draw upon for Iraqi projects). On the amount of the cost-sharing, Fahmi mentioned the difficulties he faced with the Iraqi Parliament, some members of which had accused him of giving away the material for half its price or needlessly eliminating a strategic energy option, but ultimately, CETI secured Fahmi's agreement to support authorizing the USD 7 million cost share.

¶3. (SBU) Fahmi said he had just received information from JP Morgan on the L/C, which will be for USD 71 million in light of spot market moves. To trigger the first payment of twenty percent of the total, JP Morgan is requesting among other documents the following (QUOTE):
--full set less one original clean on board bills of lading consigned to the order of shippers, blank endorsed, marked freight prepaid. Notify applicant with full name and address, quoting LC number.
--packing list
--Beneficiary's certificate stating that one original clean on board bill of lading has been sent directly to applicant by courier. A copy of relative courier receipt is required.
--completed and signed tally record sheet DD form 1907.

(UNQUOTE)

14. (SBU) Fahmi stated DOD, as the entity that arranged the shipment, needs to supply these documents before the bank will allow the first 20 percent payment on the LC. He requested that DOD send those documents to MOST in Baghdad as soon as possible. He added that he could arrange payment of twenty percent of the USD 7 million once the bank transmits the money, but CETI argued that it would be easier for all concerned for MOST to make one USD 7 million payment, to which Fahmi acquiesced.

15. (SBU) Post has sent a copy of the JP Morgan instructions to DOD for its action.

Miscellaneous Issues

16. (C) MOST is still waiting for a USG reply on the Minister's proposal that the U.S. and Iraq begin discussions aimed at adoption of a peaceful Nuclear Cooperation Agreement. The Minister has nominated candidates to participate in the electron beam agricultural project; CETI promised USG support in organizing it (NOTE: This will be supported by a USD 300,000 re-obligation of IRRF funds, and is a result of Fahmi's request following transfer of the radiation sources in January 2008. END NOTE). Fahmi mentioned a MOST laboratory site near Kadimiyah that the Iraq Army and Coalition Forces are considering to use as office space; he requested USG help in resolving the issue, and CETI noted that we need specifics with which to approach the military. CETI congratulated MOST for starting its decommissioning work, and Fahmi highlighted one site of

BAGHDAD 00002192 002 OF 002

particular concern in Al-Adayah near Mosul that needs to have its surroundings checked, but so far, he has been unable to access the site. On the 2008 budget supplemental, he remarked that he has gotten everything he asked for (around 300 million USD) and that he can reasonably expect to spend, most of which will go to e-government initiatives. Last, he remarked that he has a problem regarding the salary differential between researchers and teachers, as he is losing researchers to the universities after enactment of a law recently raising the salaries of the latter by 200 percent, but he has had no luck yet getting anyone to focus on the problem.

COMMENT

17. (C) Minister Fahmi has gone out on a limb in accepting the USD 7 million loss on the yellowcake shipment; we will appreciate Department assistance in securing the necessary documentation to effect the final payments to the GOI and to I-CERP as soon as possible. As to a Nuclear Cooperation Agreement, post realizes that the timing may not be propitious but believe that we should not close the door on such a preliminary discussion. End Comment.
CROCKER